

Climate strategy at SpareBank 1 SMN

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Introduction

The climate crisis is the greatest challenge of our time and a threat to financial stability. The SpareBank 1 SMN group aims to be a part of the solution by stimulating the sustainable development of Mid-Norway in keeping with the national commitments under the Paris Agreement. This societal role is anchored in the group's sustainability strategy¹ and entails, among other things, being a driver of the green transition. It applies in our day-to-day operations, through our customer offering and the way we invest our community dividend.

The group's climate strategy describes how SpareBank 1 SMN is to fulfil its obligations as a driver of the green transition. This includes giving concrete form to activities, targets and methodology. The strategy opens with a detailed description of the climate commitments set out in the sustainability strategy and closes with an action plan for reduction of the group's direct and indirect greenhouse gas emissions.

Strategic climate commitments

Develop business models

SpareBank 1 SMN will develop business models which both underpin our own growth ambitions and performance targets and the EU's environmental goals. The group seeks to spur increased climate and environmental responsibility and to encourage the development and spread of climate-friendly technology and circular solutions.

¹ <https://www.sparebank1.no/nb/smn/om-oss/barekraft/barekraftsbibliotek.html>

Adapting business models will impact the group's customer offering and will:

- Increase customer value by providing value-based advice and a customer offering that accelerate the green transition among people and businesses in general
- Increase employee value by attracting and retaining committed staff members who deliver the best customer experiences
- Increase shareholder value in the long term by achieving objectives for profitable growth at minimal cost to the climate through coherent overall corporate governance and risk management
- Consider alternative procurement models within the group that incentivise and reward climate and environmental performance.

Goal attainment is assessed by

- Measuring direct and indirect greenhouse gas emissions from day-to-day operations
- Measuring greenhouse gas emissions from the loan portfolio and downstream subsidiaries and affiliates
- Measuring the share of loans in the loan portfolio and of investments in the bond market that meet the criteria for sustainable economic activities under the EU taxonomy.

Specific indicators used by the group with respect to financial activities:

- Greenhouse gas emissions per employee
- Emission intensity (greenhouse gas emissions measured in CO₂/krone lent)
- Green Asset Ratio
- Share/volume of green loans
 - House-building loans
 - Residential mortgages
 - Loans for energy saving measures
 - Green bond loans to personal borrowers and businesses
- Volume of transactions arranged (renewable energy / green profile)
- Weighted carbon footprint of equity investments
- Share of mutual fund managers and companies in the investment portfolio with positive and negative screening for environmental and social conditions

Targets:

- 8% annual reduction of the group's direct and indirect emissions (reference year 2019)
- X% annual increase in the Green Asset Ratio (in process)
- X% annual increase in the volume of green loans (in process)
- 10% annual increase in loans that qualify for green bond financing.

Reduction of greenhouse gas emissions

Climate changes have far-reaching economic consequences for people throughout the world. Reducing greenhouse gas emissions is therefore key to a sustainable future. SpareBank 1 SMN intends to be a part of the climate solution and a strategic objective is to reduce the group's overall CO₂ emissions in line with national commitments under the Paris Agreement,

both directly through environmental improvement of its own activities and indirectly as an investor, lender and purchaser.

Categorisation of emission sources (scopes) follows the Greenhouse Gas Protocol (GHG).

Scope 1	Scope 2	Scope 3
1.1 Fuel for business trips	2.1 Energy for office operation 2.2 Electricity 2.3 District heating/cooling 2.4 Other energy consumption	3.1 Purchases of goods and services 3.2 Business air travel 3.3 Waste management 3.4 Emissions from the loan and investment portfolio

For the group this covers the following business lines: banking, accounting, real estate agency, capital market services, leasing and factoring, and all other ownership positions. For wholly and partly owned property companies it covers emissions related to vacant premises.

Greenhouse gas emissions are delimited to the entire business's direct and indirect emissions with the exception of greenhouse gas emissions produced by buildings, vehicles and other physical objects. The term 'the business' indicates that employees' personal emissions are not included in the group's emissions.

Reducing greenhouse gas emissions is a complex matter as a wide range of sources are involved. In order to assess target attainment, a breakdown and identification of each source's impact is therefore needed in order to direct efforts to where they have greatest effect.

The group utilises two methods to measure the group's overall greenhouse gas emissions:

- An environmentally extended input-output analysis (Klimakost²).
- A strategic framework for alignment with the Paris Agreement developed by the Partnership for Carbon Accounting Financials (PCAF)³.

Klimakost is utilised to measure emissions from the group's day-to-day operations, while the PCAF's reporting standard⁴ is utilised to measure emissions from the group's loan and investment portfolio.

Greenhouse gas emissions from day-to-day operations are defined here as upstream emissions in scope 1, scope 2 and scope 3, and do not include emissions from the loan and investment portfolio.

Greenhouse gas emissions are measured and reported on two levels:

1. Klimakost will be used for analysis and reporting purposes at overarching level as a basis for prioritising significant measures under the action plan.
2. The action plans under the Eco-Lighthouse programme will gauge the effect of measures taken.

² <https://www.asplanviak.no/verktoy/klimakost/>

³ <https://www.carbonaccountingfinancials.com/newsitem/pcaf-strategic-framework-for-paris-alignment>

⁴ PCAF (2020). The Global GHG Accounting and Reporting Standard for the Financial Industry

Eco-Lighthouse⁵ is utilised as SpareBank 1 SMN's environmental management system and is the system tool used to follow up the group's action plans. For conversion of volume data (mileage, kWh, kg of waste etc.), emission factors based on up-to-date and industry-relevant research and recognised standards are used.

A group-wide energy and climate account is reported at the level of company, business line and geographical location. The account is published annually in the [Sustainability Library](#) at smn.no. The group will communicate in a transparent manner its methodology, assumptions, and any simplifications or suppositions underlying the energy and climate account.

Action plans for attaining targets will be revised annually and will channel efforts to where they have greatest effect.

Besides preparing a groupwide energy and climate account, the group will report in conformity with the GRI standard's core requirements in force at any and all times.

Compensating for direct greenhouse gas emissions

Climate neutrality refers to net zero emissions of greenhouse gases⁶. For the group this means in practice that only absolutely necessary emissions are accepted, and these must at minimum be compensated for by corresponding emission reductions elsewhere.

The group compensates for its recorded direct and indirect emissions by way of SINTEF's Global Climate Fund⁷. SpareBank 1 SMN invests NOK 1,000 per tonne of CO₂ emissions from its own operations.

Climate risk

Climate risk is the risk of financial loss or reputational loss which can either be related directly to climate changes (physical risk) or is a consequence of adjustments to a low-carbon economy (transition risk). Climate risk poses a risk to the financial industry both directly through our operations and indirectly through our role of investor, lender and purchaser.

A climate risk strategy has been prepared for the group. This is published on SMN's web pages in the Sustainability Library⁸ and gives an account of the guidelines applied across the group.

Climate and environmental responsibility and climate-friendly technology

SpareBank 1 SMN will contribute to a higher pace of innovation and green business and industry by promoting greater climate and environmental responsibility and by encouraging the development and spread of climate-friendly technology and circular solutions. The following instruments will be applied to realise that strategy:

- A strategy and action plan for spreading knowledge, establishing arenas for collaboration and measuring the current status of the region's green transition.
- Directing the community dividend to organisations and companies which develop climate-friendly technology and circular solutions.

⁵ <https://www.miljofyrtarn.no/>

⁶ https://snl.no/netto_null

⁷ <https://www.sintef.no/siste-nytt/2021/sintef-fond-vil-fjerne-klimagasser-som-allerede-er-sluppet-ut/>

⁸ <https://www.sparebank1.no/nb/smn/om-oss/barekraft/barekraftsbibliotek.html>

Process, evaluation and organisation

The accountability of the bank's board of directors and the subsidiaries' boards of directors for the climate and environmental effort is reinforced on a regular basis. The board and group CEO along with the group management directors and the subsidiaries' CEOs are responsible for compliance with the group's policy on climate and environment. This is followed up on by the companies as part of their annual internal control process.

The group management directors and the subsidiaries' CEOs are responsible for operationalising the strategy within their respective areas of responsibility, and they contribute actively to ensure that goals and measures are relevant to the group's activities.

The business line Group Finance and Governance provides guidance and advice on developing, executing and maintaining the sustainability effort throughout the group. Responsibility for this rests with the sustainability officer at SpareBank 1 SMN.

The group's climate and environment strategy is evaluated annually by the group management. This involves assessing whether climate and environment targets have been met, whether measures have been carried through in accordance with action plans, what effects measures have produced compared with expectations, and an ensuing revision of climate and environmental targets.

As a process tool, all group entities are required to obtain Eco-Lighthouse certification. A certification and recertification structure will be established to ensure that this tool is relevant to and influences all locations and business lines. New criteria for the banking and finance industry⁹ were implemented for the head office in 2022 and will be in place at all sub-entities by the end of 2024.

Action plan

The action plan is categorised and subdivided into four work packages:

1. Mapping and delimitation
2. Development
3. Concretisation, procedures and methodology
4. Implementation and operationalisation of measures

Work package 1 – Mapping and delimitation

- Establish methodology for measuring and reporting greenhouse gas emissions.
- Establish system limits for reporting Scope 3 emissions.
- Prepare an energy and climate account for everyday operations for each business line, based on 'Klimakost' (direct emissions and indirect upstream emissions).
- Calculate the climate impact of the group's overall loan and investment portfolio, based on PCAF (downstream emissions).
- Map potential methodology pitfalls and challenges
- Evaluate and operationalise the use of 'Klimakost' in the group.

⁹ See SMN's Eco-Lighthouse index (EL index) in the Sustainability Library at <https://www.sparebank1.no/nb/smn/om-oss/barekraft/barekraftsbibliotek.html>.

Work package 2 – Development

- Update figures for the reference year 2019, based on ‘Klimakost’
- Develop/improve the finance centres’ procedures, roles and responsibilities in the Eco-Lighthouse programme
- Calculate the reduction in greenhouse gas emissions already achieved since the reference year
- Consider establishing climate targets based on Science Based Targets methodology¹⁰
- Revise and concretise the group’s strategic climate goals, based on new insights
- Draw up concrete emission targets at industry level
- Establish coherent overall governance, including targets for environmental performance
- Incorporate the group’s climate risk strategy into all parts of the group
- Perform scenario analyses of the trend in greenhouse gas emissions in the period to 2030 and to 2050.

Work package 3 – Concretisation, procedures and methodology

- Develop a method for standardised and automated reporting via the data warehouse
- Incorporate entity-specific indicators for environmental work in all parts of the group
- Establish a climate budget and include greenhouse gas emissions in annual training plans
- Supplement invoice information on suppliers’ climate and environmental effort (Eco-Lighthouse certified (Yes/No), have their own energy and climate account (Yes/No), have established their own targets in line with the Paris Agreement (Yes/No)).

Work package 4 – Implementation and operationalisation of measures

Based on knowledge of and insight into climate impact factors at the present time, specific measures have been identified for achieving the group’s objective of reducing greenhouse gas emissions. These are divided into two categories: operations and procurement, and banking/finance activities.

Category 1 – Operations and procurement

- Reduce energy consumption
 - Target of 7% reduction in energy consumption in 2022.
 - Take forward and develop an energy and environmental management system.
 - Renegotiate lease agreements with a focus on:
 - Reducing the area under lease
 - Entering green lease agreements that secure shared interests in investing in climate-friendly technology such as solar cells and heat pumps or in implementing smart control systems.
 - Evaluate the consequences of merging and co-locating offices.
 - Implement energy-efficiency measures at group properties

¹⁰ <https://sciencebasedtargets.org/>

- Reduce business travel emissions
 - Incentives for reducing high carbon intensity travel (especially air travel)
 - Incentives for reducing fossil fuel car travel
 - Strive for a suitably high proportion of digital meetings
 - Upgrade video meeting rooms
- Purchases
 - Increase the proportion of environmentally certified suppliers, and set clear requirements for existing suppliers
 - Set requirements for invoice information
 - Is the business environmentally certified?
 - Does the business have a climate account?
 - Has the business established goals in keeping with the Paris Agreement?

Category 2 – Banking and finance activities

- Utilise and offer products that stimulate climate-smart and environmentally smart behaviour, such as green loans.
- Raise awareness of green products and services.
- Improve the resolution of indicators of green loans to permit reporting per location/employee.
- Raise awareness, measure and report use made of geographical categorisation with a view to establish internal competition and ensure continuous improvement.
- Increase marketing of green products and services.
- Increase the focus on role-based competence development among employees and customers
- Motivate a transition to renewable energy sources in business and industry, for example by establishing targets for capital allocation to future-oriented industries and companies.

A solution for presenting selected climate and environment indicators on physical information screens or intranet, preferably in real time, is under consideration. This will increase the competence and awareness of group employees and will support the day-to-day work for a green transition.

The action plan draws on inputs from all business lines in the group.

Enclosure 1: Current situation for the group's own emissions

Total emissions from our own operations – group

Distribution on scope 1, 2 and 3 – group

Scope 1 Scope 2 Scope 3

Emission sources, own operations – group

- Services and advisory activities, software
- Energy
- Travel and transport
- Equipment and machinery
- Buildings

Enclosure 2: Annual cycle for health, environment and safety work

Health, environment and safety
Annual activities

Meetings of the work environment committee
(Contact Committee)

Q1

HES report
Annual report on sickness absence
HES objectives
Action plans
Inspection of buildings/fire protection
Environmental reporting, Eco-Lighthouse
Annual environment meeting

Q2

Organisation survey
Follow-up of action plan
Report on sickness absence
Inspection of buildings/fire protection

Q3

Report on sickness absence
Follow-up of action plan
Inspection of buildings/fire protection

Q4

Organisation survey
Report on sickness absence
Follow-up of action plan
Inspection of buildings/fire protection

Throughout the year: HES courses for new staff and managers. ‘Better Shape’ activities and employee appraisal interviews.

Enclosure 3: Tasks and responsibilities for the eco-lighthouse officer

Tasks and responsibilities for the eco-lighthouse officer

The following are examples of tasks and responsibilities that may be assigned to the eco-lighthouse officer at small and medium companies. The contents of this page can also be incorporated in comparable job descriptions.

Main tasks and responsibilities:

1. Head up the environment effort, including:

- Plan, inform about and carry out environmental initiatives, including internal training
- Prepare, carry out and follow up recertifications
- Be the company’s resource person on the environment, and the environment officer vis-a-vis the outside world
- Keep the HES and environmental management system updated, including in-house information in the Eco-Lighthouse portal.

2. Important sub-tasks and responsibilities:

a Annual climate and environment reporting:

1. Draft the annual climate and environment report. Obtain data, describe completed initiatives and propose an action plan for the coming year with associated climate targets.
2. Present the draft report to the management for approval. If the company has a work environment committee, the climate and environment report should be considered by that committee prior to approval.

b Contribute to continuous improvement:

1. Assemble the environment group twice yearly (autumn/spring) in order to review status as regards environmental targets, action plans and completed activities/measures. Notify any change proposals to the company’s management.
2. Review of Eco-Lighthouse’s ideas bank ahead of the annual environment meeting
www.miljofyrtarn.no/miljotips

c Annual environment meeting:

1. Distribute to staff:
 - The annual climate and environment report
 - Newsletters from the Eco-Lighthouse Foundation
 - Certification reports

Place..... Date...../.....

Company CEO

Company eco-lighthouse officer